

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6292

BILL NUMBER: SB 78

NOTE PREPARED: Nov 21, 2005

BILL AMENDED:

SUBJECT: Property Tax Deduction for Farm Security Items.

FIRST AUTHOR: Sen. Heinold

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a property tax deduction not to exceed \$50,000 in assessed value (AV) per year relating to secure storage of fertilizers and pesticides that could be used for terrorism or illegal drug manufacturing.

Effective Date: January 1, 2007.

Explanation of State Expenditures: *Department of Local Government Finance (DLGF).* To obtain the deduction, a person must file a certified statement on forms prescribed by the DLGF. The DLGF should be able to provide forms given its existing level of budget and resources.

State Chemist's Office. This bill provides a property tax deduction not to exceed \$50,000 in AV for (1) improvements made to enhance site security for storage of fertilizers or pesticides or (2) chemicals added to fertilizers or pesticides and designed to deter theft during the storage of fertilizers or pesticides that are subject to rules adopted by the State Chemist. Individuals who comply with the State Chemist's rules receive a certificate of compliance. According to the State Chemist's Office, since 1992, approximately 155 certificates have been issued. The bill could result in increased demand for the certificates; however, the State Chemist's Office should be able to process any new certificates with existing staff.

Explanation of State Revenues: The proposal could result in additional property tax deductions. Property tax deductions exclude property from the property tax base. The state levies a small tax rate for the State Fair and State Forestry that applies to all assessed value. If property is not a part of the tax base, the state can not assess this tax on the property. Any decrease in the AV base as a result of deductions reduces the property tax

revenue collected for these two funds.

Explanation of Local Expenditures: To obtain the deduction, a person must file a certified statement with the county auditor. Upon the verification of the statement by the assessor of the township in which the property is subject to assessment, the county auditor must allow the deduction. These provisions will increase administrative expenses for the township and the county. It is presumed that the local units will be able to cover any additional expenses given their existing levels of budgets and resources.

Explanation of Local Revenues: The bill provides that a person is entitled to a an annual property tax deduction in an amount equal to the AV of a fence, exterior lighting, a camera, and/or an alarm system that are used to deter the theft of a fertilizer or pesticide. A person is also entitled to an annual property tax deduction in an amount equal to the part of the AV of a fertilizer or pesticide attributable to a chemical added to deter the theft of the fertilizer or pesticide. The bill applies to property taxes first due and payable after December 31, 2007. The total annual deduction for an individual may not exceed \$50,000 in AV.

This proposal may result in an increase in deductions claimed. Additional deductions reduce the AV tax base. This reduction causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The amount of the deduction is indeterminable. Total local revenues would not be affected, except that the revenue in rate-controlled funds would be reduced.

State Agencies Affected: DLGF, State Fair, and State Forestry.

Local Agencies Affected: All.

Information Sources: Michael Hancock, Fertilizer Administrator, State Chemist's Office, 765-494-1547.

Fiscal Analyst: Bernadette Bartlett, 317-232-9586.